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Chino Mines Company, Hurley, New Mexico 88043 • (505) 537-3381

July 29, 2005

Certified Mail #70041160000109428838

Return Receipt Requested

Ms. Cindy Padilla, Director
New Mexico Environment Department
Water and Waste Management Division
P.O. Box 26110
Santa Fe, New Mexico 87502

Dear Ms. Padilla:

Re: AOC Quarterly Report, Second Quarter, 2005

This letter constitutes the Chino Mines Company (Chino) written progress report for activities pursuant to the Administrative Order on Consent (AOC) during the reporting period from April 1 through June 30, 2005. This report is submitted and organized as outlined in Article IX, Section E of the AOC between the New Mexico Environment Department (NMED) and Chino.

AOC Activities

During the second quarter of 2005, the following major activities occurred:

- The first phase of an Interim Remedial Action to remediate soil in Hurley residential yards with over 10,000 ppm copper was initiated in June.
- The Remedial Investigation (RI) Report for the Smelter/Tailing Soils Investigation Unit was submitted in May.
- The Closure Plan to address the Groundhog No. 5 Stockpile was implemented.
- The Dispute Resolution process over the copper remedial action criteria (RAC) for the Hurley Soils Investigation Unit (IU) moved into the formal phase and went through the technical group process.
- Chino met or participated in phone conferences with the NMED on May 17, May 25, and June 8, 2005 to discuss current AOC activities.

Hurley Soil Investigation Unit

The NMED informed Chino in a letter dated November 12, 2004, that NMED had established a RAC for Hurley residential soil at 2,000 ppm copper. Chino initiated the informal dispute process under Article XII of the AOC regarding the copper RAC on January 7, 2005. Because the issue was not resolved during informal dispute resolution, Chino initiated formal dispute resolution on March 31, 2005. During the second quarter, the technical group phase of the formal dispute resolution process was completed and the process moved into the advisory group phase.

In a demonstration that Chino is committed to expeditiously addressing work required under the AOC, Chino proposed to begin remediation of soil in residential yards in Hurley with over 10,000 mg/kg

copper under an interim remedial action. The first phase of the interim action involved excavating and replacing soil in four residential yards.

Hanover/Whitewater Creek Unit

The Phase II RI Proposal was submitted to the NMED in December 2004. Chino completed XRF analysis of archived samples as part of the Phase 2 workplan with a technical memorandum pending in August discussing the results and the next phase of the proposal. Concurrently, the NMED is preparing the baseline Human Health Risk Assessment (HHRA). The HHRA is projected for completion in August, 2005.

A revised Site Investigation and Closure Plan for the Groundhog No. 5 Stockpile was submitted to the NMED under an Interim Remedial Action and to the Mining and Minerals Division (MMD) during the first quarter. Grading of the stockpile was completed with revegetation scheduled for the third quarter pending a permit modification by MMD.

Approximately 260,000 tons of stockpile material was removed this year to an approved site under an Interim Remedial Action for the Groundhog Mine Site. The removal of the remaining stockpile material will be completed by September 30, 2005.

Ecological Unit

The Draft Ecological Risk Assessment dated September 2003 is pending finalization by the NMED. Chino collected samples in November 2004 for use in supplementing the Ecological Risk Assessment under the Smelter/Tailings RI. Chino received a letter containing responses to comments from the NMED in April.

Smelter/Tailings Unit

The Smelter/Tailing RI Report was submitted to the NMED in May. Comments from the NMED on the report are expected in July. The revised Smelter/Tailing Human Health Risk Assessment (HHRA) Workplan from Gradient Corporation, the NMED's risk assessment contractor, is pending in July.

Community Relations

The AOC Community Work Group (CWG) met on April 12, May 17, and June 21. Representatives from the NMED and Chino participated in the meeting. The CWG will hold their next meeting in July.

Next Quarter's Scheduled Activities

During the third quarter of 2005 it is anticipated that Chino will:

- Submit and implement a work plan for the second phase of an Interim Remedial Action to remediate soil in Hurley residential yards with over 10,000 ppm copper.
- Submit and implement an Interim Remedial Action Workplan for remediation of the Hurley "Golf Course" area under the Smelter/Tailings Soil IU.

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- Complete the reclamation of the Groundhog No. 5 Stockpile in Lucky Bill Canyon.
- Complete the removal of the Groundhog Mine Site stockpiles.

Personnel Changes

There were no personnel changes this quarter.

Problems and Solutions

There were no problems that adversely affected the AOC this quarter.

Please call Mr. Robert Quintanar at (505) 537-4228, with any questions or comments concerning this report.

Very truly yours,



E. L. (Ned) Hall, Manager
Environment, Land & Water
New Mexico Operations

ELH:pp
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c Messrs: Chris Eustice, NMED
Phil Harrigan, NMED
Steve Lucero, MMD
William Olson, NMED
Ms. Petra Sanchez, EPA